

Message Text

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ACTION NEA-10

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SUBJECT: INDO-SOVIET TRADE AGREEMENT SIGNED

1. THE LONGTERM TRADE AND PAYMENTS AGREEMENT FOR 1976-1980 BETWEEN INDIA AND THE SOVIET UNION WAS SIGNED IN NEW DELHI ON APRIL 15. N.S. PATOLICHEV, MINISTER FOR FOREIGN TRADE, SIGNED FOR THE SOVIET SIDE; HIS COUNTERPART, MINISTER OF COMMERCE D.P. CHATTOPADHYAYA, REPRESENTED THE GOI. FOLLOWING ISUBASED ON FACTUAL INFORMATION CONTAINED IN PRESS REPORTS APPARENTLY DRAWN SOLELY FROM A GOI PRESS RELEASE. WE WILL BE REPORTING MORE FULLY AS DETAILS BECOME AVAILABLE DIRECTLY FROM THE GOI.

2. AS SIGNED, AGREEMENT PROVIDES FOR GRADUAL INCREASE IN TRADE VOLUME OVER NEXT FIVE YEARS. TOTAL TRADE IN 1980 (SUM OF TRADE FLOWS BOTH WAYS) SET AT \$1.1 BILLION. THIS IS 34 PERCENT INCREASE OVER ESTIMATED 1975 TRADE OF AT LEAST \$825 MILLION, OR A MODEST SIX PERCENT A YEAR GROWTH RATE. (AGREEMENT USES CONSTANT 1975 VALUE FOR GOODS THROUGH- OUT, SO THAT GROWTH IN MONEY TERMS EXPRESSES GROWTH IN VOLUME. WE HAVE USED 1975 EXCHANGE RATE OF \$1.00 EQUALS LIMITED OFFICIAL USE

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RS. 8.5.)

3. PRESS REPORTS SIGNING OF "AGREEMENT" (SEE COMMENT BELOW) ON REPAYMENT OF 1973 SOVIET WHEAT LOAN. ACCORDING TO PRESS, THE "MECHANICS" FOR REPAYMENT OF VALUE OF LOAN IN GOODS OVER FIVE YEAR PERIOD HAS BEEN "BUILT INTO" LONG TERM AGREEMENT. IF THIS MEANS REPAYMENT INSTALLMENT IS INCLUDED IN \$1.1 BILLION FIGURE, THEN ADJUSTED GROWTH RATE EVEN LOWER.

4. LENGTHY GOI EFFORTS TO EXPAND TRADE FLOWS THROUGH "PRODUCTION COOPERATION" HAVE FAILED TO COME TO FRUITION IN NEW AGREEMENT. SINCE TERMS OF AGREEMENT PERMIT ANNUAL TRADE PLANS TO PROVIDE FOR EXPANDED TRADE, PRSS REPORTS STATE "IT IS EXPECTED THAT WITH THE FINALIZATION OF THESE (PROJECTS FOR INDUSTRIAL COOPERATION IN INDIA AND THIRD COUNTRIES), THE TRADE TURNOVER IN 1980 WOULD EXCEED RS. 10 BILLION (\$1.176 BILLION).... THIS MEANS THAT THERE WILL BE AN INCREASE OF OVER 43 PERCENT IN TRADE TURNOVER OVER THE FIVE YEARS." NO FURTHER EXPLANATION OF BASIS FOR THIS INCREASE-- WHICH WOULD RAISE ANNUAL GROWTH RATE TO 7.5 PERCENT--IS GIVEN.

5. ILLUSTRATIVE LIST OF ITEMS TO BE TRADED REPORTED IN PRESS CONTAINS NO SURPRISES--AS WELL AS NO FIGURES FOR INDIVIDUAL ITEMS. THE SOVIET UNION WILL "SUPPLY" OIL DRILLING, CONSTRUCTION AND EARTHMOVING EQUIPMENT, KEROSENE AND DIESEL OIL, FERTILIZERS, VARIOUS NON-FERROUS METALS, AND COMPONENTS AND EQUIPMENT REQUIRED BY PROJECTS SET UP WITH SOVIET HELP, AS WELL AS ASBESTOS, SULPHUR AND NEWS-PRINT.

6. PRESS REPORTS BREAKDOWN INDIAN EXPORTS INTO THREE MICATEGORIES: (A) TRADITIONAL ITTEL : TEA, COFFEE, SPICES, OIL CAKES, LEATHER SHOES AND JUTE GOODS; (B) NON-TRADITIONAL AND PROMOTIONAL GOODS: STORAGE BATTERIES, GARAGE EQUIPMENT, ALUMINIUM POWER CABLES, ELECTRONIC INSTRUMENTS AND COMPONENTS INCLUDING SOFTWARE, PHARMACEUTICALS AND MEDICINES, AND DYE STUFFS AND INTERMEDIARIES; (C) NEW ITEMS: PIG IRON, FREIGHT CONTAINERS, DRY CORE TELECOMMUNICATION CABLES, ALUMINIUM FOILS, AND WOOD VENEERS.

7. COMMENT: (A) THE PUBLISHED FIGURES GIVE CONCRETE LIMITED OFFICIAL USE

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EXPRESSION TO THE INDIAN CONTENTION THAT SOMETHING NEW IS NEEDED TO VITALIZE THE INDO-SOVIET TRADE RELATIONSHIP. IN CONTRAST TO THE 6 PERCENT GROWTH PROJECTED FOR THIS TRADE, THE GOI HAS SET A TARGET OF 8 TO 10 PERCENT FOR EXPANSION OF THE EXPORT TRADE TO THE REST OF THE WORLD. (B) THE AGGREGATE FIGURES HIDE SOME POINTS OF SPECIAL INTEREST. FIRST, SINCE INDIA ATTACHES HIGHER PRIORITY TO SOME SOVIET IMPORTS THAN TO OTHERS, ITS SATISFACTION WITH

THE AGREEMENT WILL DEPEND TO A LARGE EXTENT ON SPECIFIC
SUPPLY FIGURES. SECOND, WE HAVE LITTLE EVIDENCE OF HOW
EASY THE SOVIETS WERE IN AGREEING TO THE VALUE OF THE
WHEAT LOAN OR THE IDENTITY AND VOLUME OF COMMODITIES IT
WOULD ACCEPT IN REPAYMENT. ONE GOI OFFICIAL TELLS US THAT
AGREEMENT ON THIS SUBJECT HAS NOT ACTUALLY BEEN SIGNED THOUGH
NO SUBSTANTIVE PROBLEM REMAINS. WE WILL BE PURSUING THESE
POINTS IN SUBSEQUENT REPORTING.
SAXBE

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